INITIAL COMMENTS OF THE
UTAH PUBLIC SERVICE COMMISSION
& THE UTAH DIVISION OF PUBLIC UTLITIES

The Utah Public Service Commission (UPSC) and the Utah Division of Public =
Utilities (UDPU), as investigative agent to the UPSC, herein file comments =
on the Federal Communications Commission's (FCC) Notice of Proposed =
Rulemaking, Docket No. FCC 00-364, In the Matter of 2000 Biennial =
Regulatory Review - Comprehensive Review of the Accounting Requirements =
and ARMIS reporting Requirements for Incumbent Local Exchange Carriers: =
Phase 2 and Phase 3. These comments address Phase 2 specifically.

The UPSC and UDPU generally support reduced requirement for carriers. =
However, the UPSC and UDPU are hesitant to support extreme transitions =
without significant industry movement to competition and enhanced quality =
of service. Even with emerging competition, the UPSC and UDPU feel a =
sense of responsibility to maintain the legal oversight authority =
necessary to ensure quality service at reasonable prices to Utah residents.=

The UPSC and UDPU strongly support the comments of the National Association=
of Regulatory Commissioners (NARUC) filed for this Docket.

Utah has only one large Class A incumbent local exchange carrier (ILEC), =
Qwest Communications, Inc. (Qwest) and one Class A "mid-sized" carrier, =
Citizens Communications, Inc. The remaining fifteen ILEC's are Class B, =
mainly serving in the rural areas of the State.

Responses to individual proposal items are as follows:

1. FCC proposal to eliminate one-fourth of the Class A accounts in Part 32 =
of FCC rules

The UPSC and UDPU have historically found it difficult to obtain data and =
information that are not required for reporting purposes by the FCC. =
Finding alternative sources for information not readily available has most =
often been met with disappointment. Therefore, the UPSC and UDPU are =
concerned that the company's collection and tracking of data necessary for =
the state's regulatory oversight may be significantly diminished or =
eliminated once the FCC relinquishes an accounting and reporting requiremen=
t.

Class A accounts are used by the UDPU in its Division Cost of Service =
study (DCOS) of Qwest's cost allocations. This study has historically =
been used by the UPSC to set intrastate regulated rates and wholesale =
discount rates, and has been utilized as a tool to analyze Qwest's costs =
on a product-by-product basis. Although Qwest is no longer rate-of-return =
regulated in Utah, the wholesale discount rates depend on and are still =
compiled using DCOS. The UPSC and UDPU also seek to continue to monitor =
Qwest's costs on a product-by-product basis.

Concerning DCOS, Accounts 5200 through 5299 are allocated separately to =
their respective revenue-generating product. The DCOS program allocates =
the individual accounts in 6600 through 6799 using extremely different =
allocation factors. The 7100, 7300, 7400, and 7600 accounts are all =
identified and accounted for separately in the study. It is our conclusion=
that it would be no easy task for the UPSC, UDPU or Qwest to compile a =

special study or find alternative sources for this data that would compute = the results as accurately as the current methodology.=20

Each year, the source data necessary for DCOS is reviewed with Qwest. = There have been many situations in which data is lost or unavailable due = to changes in accounting systems, FCC regulation, or alterations in = management. The UPSC and UDPU believe that the proposed reduction in = Class A accounts would significantly impair Utah's cost studies such as = the DCOS study and wholesale discount studies as well as UNE and USF = models.

2. The United States Telecom Association's (USTA) proposal to eliminate = the remaining Class A accounts

In addition to the concerns discussed in #1 above, the UPSC and UDPU = stress that it is not in the public interest to reduce accounting and = reporting requirement to a Class B level for all carriers at any time in = the near future, especially the large Class A carriers. Utah's DCOS = study, wholesale discount studies, other cost analysis methods and other = regulatory oversight duties would be significantly, if not totally, = impaired. For example, under Class B accounting, all outside plant = investments are contained in one account. Without available detail = regarding construction of various types of outside plant, there would be = no supporting data to assess the carriers' depreciation rates; and, the = combinations of such accounts would create distorted information due to = the diversity of the equipment. Thus, all the programs that rely on = depreciation expenses and/or plant balances, i.e., universal service = model, UNE pricing, wholesale discount rates, etc., would be undermined or = significantly impaired. The UPSC and UDPU believe that there is no = substantial competition to allow states to reduce regulatory oversight to = such an extreme level.

In general, implementing USTA's proposal there would not be enough cost = data to continue current cost studies, develop new costs studies, or = evaluate cost studies prepared by the carriers.

The UPSC and UDPU do not believe that the current accounting requirements = are burdensome for the large ILECs. It is apparent that these ILECs = maintain at least ten times the accounts required for the FCC's Class A = accounting. In addition, most of the smallest carriers use Class A = accounting or keep records by at least the majority of Class A accounts.

3. Eliminating the threshold requirements in section 32.2003(b) of FCC = rules

The UPSC and UDPU urge the FCC to refrain from implementing a rule change = concerning direct charges to plant accounts for rate-of-return regulated = companies. The UPSC and UDPU believe that an allowance for management = judgment and materiality in assessing projects to directly charge to plant = accounts would open the door to overstatements of plant in test year data = and result in arbitrarily higher rates. However, the UPSC and UDPU find = no significant reason to withhold the proposed changes from a price cap = local exchange carrier.

4. Whether we should allow carriers to adopt SFAS-116 for federal = accounting purposes

The UPSC and UDPU share the Common Carrier Bureau's concerns "that =
adoption of SFAS-116 for federal accounting purposes would allow carriers =
to increase reported costs and prices based on pledges rather than actual =
contributions" (Notice of Proposed Rulemaking, FCC 00-364, page 13). The =
UPSC and UDPU also share the FCC's concerns "that adoption of SFAS-116 =
could necessitate an exogenous price cap adjustment permitting carriers to =
recover the entire amount of pledged contributions as an exogenous cost in =
the year the accounting change is adopted" (Notice of Proposed Rulemaking, =
FCC 00-364, page 13).

5. USTA's proposal to revise section 32.27(d) to decrease the threshold =
from 50 percent to 25 percent for use of prevailing price in valuing =
affiliate transactions =20

The FCC's current threshold of 50 percent for use of prevailing price in =
valuing affiliate transactions recognizes that the affiliate exists to =
service the ILEC. A threshold of 25 percent would allow an affiliate to =
conduct up to 75 percent of its business with the ILEC and not be subject =
to the rule. The UPSC and UDPU believe that this change would diminish =
the purpose of the affiliate transaction rules and can be seen as an =
attempt to further funnel revenues away from the ILEC and its regulated =
services.

6. FCC proposal to eliminate the "treated traditionally" requirement from =
"incidental activities"

Adding products to regulated operations may sound initially like a =
positive action. However, the UPSC and UDPU are concerned about using =
this provision to allow carriers to stuff "losers" into the regulated pool =
for future subsidizing. Products that are not directly related to the =
provisioning of local exchange service or incidental activities should =
not, at the carriers' discretion, be arbitrarily allowed into the =
regulated pool. The FCC's current rules should remain in place.

7. USTA's proposal to allow all carriers the option to allocate Part 64 at =
a Class B level

The UPSC and UDPU strongly oppose USTA's proposal. The UPSC and UDPU =
believe that a Part 64 allocation at a Class B level would completely =
undermine the purpose in obtaining data at a Class A level. As outlined =
earlier, the UPSC and UDPU oppose modification to a Class B accounting for =
large ILECs.=20

8. Whether section 32.11 should be amended to be limited to ILECs

The UPSC and UDPU are aware that section 32.11 has been applied traditional=
ly only to ILECs. The UPSC and UDPU do not oppose refining this section =
to explicitly pertain only to ILECs.

9. USTA's proposal to eliminate section 64.901(b)(4) of the FCC's rules

The forecast use rule is critical for allocating costs fairly between a =
carriers' regulated operations and nonregulated "upstart" (or new) =
operations. These forecasts provide the best measure of the services' =
intended use, and thus, appropriate determinations can be made to allocate =
assets to nonregulated activities. Carriers' regulated activities are =
generally in large, well-established markets. Whereas, upstart or new =

activities, subject to the "forecast use" rule, begin in a much more =
vulnerable position in the market place. Without appropriate forecasts =
and resultant allocations, carriers would have the ability to shift costs =
to regulated services. Therefore, customers of regulated services would =
be supporting (or paying for) nonregulated activities.

10. FCC proposal to simplify the reporting requirements for both large =
incumbent LECs and mid-sized incumbent LECs by eliminating or revising =
ARMIS Reports: 43-01 (Annual Summary Report); 43-02 (USOA Report); 43-03 =
(Joint Cost Report); 43-04 (Separations and Access Report); 43-07 =
(Infrastructure Report); and 43-08 (Operating Data Report)

It appears from the Notice of Proposed Rulemaking that the reductions to =
ARMIS Reports 43-01, 43-02, 43-03, and 43-04 results in alterations =
(reporting reductions) and not the elimination of resultant data. The =
UPSC and UDPU believe that as long as the data is still available through =
aggregating or summation calculations, there is no harm in the proposal to =
reduce reporting for these reports.

For ARMIS Reports 43-07 and 43-08, the UPSC and UDPU do not have specific =
recommendations to further improve the efficiency of these two reports; =
however, the UPSC and UDPU stress its concerns over eliminating data =
before fully developed competition. The UPSC and UDPU support the FCC's =
proposal to eliminate the collection of obsolete data and to update its =
ARMIS reports to obtain information on new technologies (upgrades and =
investments in switching and transmission capacity) that are critical =
components of the carrier's network infrastructure. This proposal will =
eliminate approximately half the data collected today and will further =
ease the data collection burden on the ILEC.=20

USTA's proposal to eliminate state-by-state ARMIS information is extreme. =
ARMIS was intended to accommodate both FCC and state needs. The eliminatio=
n of state-by-state data would render ARMIS irrelevant to the states and =
would impede the FCC's ability to investigate activities relating to =
targeted investments.

11. FCC proposal to eliminate cost allocation manual (CAM) filing =
requirements for mid-sized carriers

Since the UPSC and UDPU have limited experience with only one mid-sized =
carrier, the UPSC and UDPU's comments in this area should not bear the =
same weight of a state with greater experience. The Division generally =
supports reduced accounting and reporting requirements for mid-sized =
carriers.

12. Raising the income threshold that determines which companies are =
required to file certain ARMIS reports

The UPSC and UDPU do not currently have a company in the State of Utah =
that would be affected by this proposed change; however, the UPSC and UDPU =
generally support reduced regulation for mid-sized carriers.

13. States' proposal to create additional Class A accounts

The UPSC and UDPU support the proposed additional accounts for new =
technology. These accounts will allow the states to continue to assess =
and monitor carriers' prices and costs. This is especially important in =

such areas as deployment, collocations, and interconnections.

In conclusion, the UPSC and UDPU generally support the FCC's efforts to =
streamline accounting and reporting requirements in light of the continuous=
ly changing telecommunications environment. The UPSC and UDPU strongly =
support the comments submitted by the NARUC. However, as outlined above, =
the UPSC and UDPU have serious concerns with several of the USTA proposals.=